

Statement of the Honorable Rahm Emanuel
U.S. House of Representatives
Committee on Financial Services
Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises
October 16, 2003

Re: Hearing on “Reviewing U.S. Capital Market Structure: The New York Stock Exchange and Related Issues”

Mr. Chairman,

Thank you for holding this important hearing to assess the need for market structure reform. I appreciate that our distinguished guests, including interim New York Stock Exchange Chairman John Reed and NASDAQ President & CEO Robert Greifeld, have taken the time to share their views with us on this matter. As a former investment banker and member of a public company’s board of directors, I am keenly aware of the need for a robust regulatory system to ensure that the exchanges promote investor protection, fair competition, efficiency and transparency.

While the self-regulatory organizations have served investors well, recent events raise questions about whether SROs are meeting their obligation to serve the interests of individual and institutional investors, rather than those of exchange officials and special interests. SROs serve a variety of functions: they are marketplaces, regulators, and member-owned businesses facing intense competitive pressures. The advent of electronic exchanges, ECNs, and alternative trading systems has made the landscape increasingly muddled and complicated.

Given the marketplace evolution and corporate governance concerns, SEC Chairman William Donaldson’s decision to undertake a thorough review of SROs is a wise one. As the Chairman stated, the ideal solution is to have “multiple, competing markets,” that at a minimum have the same corporate governance standards for themselves that they require of their listed companies. Any new solution should also be flexible enough to accommodate the differences that exist among the exchanges. A one-size-fits-all solution, while well-intentioned, would not be workable across markets and exchanges.

I look forward to working with the SEC and with my colleagues in Congress as we consider appropriate steps to ensure the integrity of the exchanges and the capital markets. Sarbanes-Oxley was a critical first step in addressing corporate governance issues that have plagued the markets in recent years. However, as demonstrated by recent events, there is still much work to be done. The hedge fund and mutual fund scandals, continuing auditor independence issues, and exchange governance issues are evidence of the continuing disregard in some quarters for shareholders’ and investors’ interests. We must continue to do all we can to root out these abuses and restore investors’ trust in the capital markets.